London Close Tactic

Sunday, December 15, 2013 8:20 PM

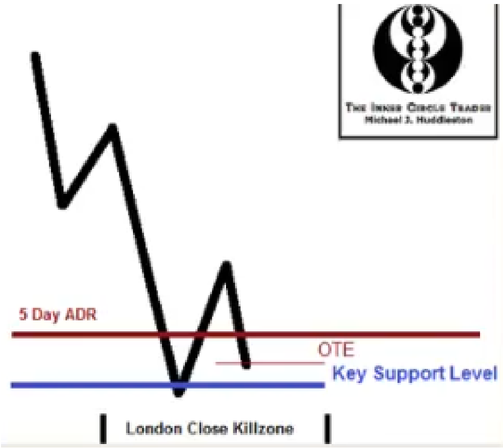
- The London Close is 15:00GMT - 17:00GMT and can go to as late as 18:00 GMT.
- Generally the market will begin to encounter profit-taking around 10:00AM CST. This can present a few opportunities as a result of London traders closing their trading day and New York Traders taking lunch (11:00AM EST).
- Even if the market retraces and ultimately continues in the day's trend, it is possible to find scalps counter-trend during this time.
- The markets routinely experience a tradable swing at this time of day.
- Use of these London Close concepts could aid you in timing a short term trade several times per week.
- There are 2 types of London Close trades and they are the counter-trend trade and the trend trade.

The Counter Trend Trade: this is usually just a minor price swing to scalp for 15 - 20 pips. The setups are found trading the 5 minute chart and provide very short-term market exposure and quick profits when the trade is correct.

The London Close Trend Trade: this setup is a trend trade entry opportunity to get in sync with the daily trend direction or a longer term price swing unfolding at that current time. This is typically a higher reward setup and provides outstanding momentum in the trader's favor.

- Not every setup will be a "counter-trend" reversal scalp. Many times we see an outstanding opportunity to trade a large range day that expands well beyond the "anticipated" average daily range. This type of London Close trade can provide far greater profit potential.
- Make it a point to have the "whole" market considered and not merely your selected Forex pair and or particular asset class you wish to speculate in.
- Price is engineered to go up by first going down and conversely it is engineered to go down by first going up.
- Before a significant move takes place in the markets, there needs to be an event or catalyst. This can come in the form of news, key price levels, or more often than not.. a stop raid.
- If you look at the majority of the significant price swings that occur on any given day or time frame for that matter.. you will see an important high or low will be raided. This is the "Smart Money" knocking early traders out of the trades that are correctly positioned to pay them from the highest odds seat.
- The US Dollar Index is a leading benchmark for the international value of the US Dollar and the world's most widely-recognized, publicly-traded currency index.
- Traders can take advantage of moves in the value of the US Dollar relative to a basket of world currencies.
- The general approach would be to begin our currency analysis with the technical perspective of the US Dollar Index.
- Are we currently looking at a "bullish" or "bearish" US Dollar?
- If the US Dollar Index is bullish, this would confirm shorting opportunities in Foreign currencies and conversely a bearish US Dollar Index would confirm buying opportunities in Foreign currencies.
- **If the technicals are unclear in the US Dollar Index, it might be a good idea to simply sit on your hands and wait for a better technical development.**
- It is okay to avoid certain market conditions and this is one way to do that. No trade is a winning position EVERY time.
- It is best to look at the average daily range over the last 5, 10, and 20 days. If the figures are all similar, say 120 pips plus or minus a few pips.. then that gives you a good idea that the currency pair is generally trading about 120 pips in the current market conditions. The Swiss Franc and the Yen can meet their ADR early.
- Determine the 5 day ADR around the time the stock markets open in New York and by that time the market has priced in the high or low of the day and projecting ADR highs and lows are more reliable.
- Whatever the 5 day ADR is for your traded pair, add it to the highest high or the lowest low to arrive at the 5 day ADR level for that particular trading day.
- For London Close trades, the protective stop is placed 10 pips beyond the high or low on the Fib.
- The first profit objective is 15 - 20 pips.
- The last profit is taken at the high or low on the swing.
- The entry point is OTE.

LONDON CLOSE COUNTER-TREND TRADE



- Reference the US Dollar Index and determine if it has met its 5 day ADR for the day.
- Also determine if the pair you are trading has met its 5 day ADR.. ideally as it has dropped in price through the early New York session.
- As price drops down into the ADR level and into the kill zone, you have effectively witnessed the core principle of time & price theory.
- You will look for SMT bullish divergence to form at the 5 minute lows when entering the kill zone.. at a higher time frame weekly, daily, 4 hour, & 1 hour S/R level. It could also be at one of the previous 3 days highs or low and the session highs and lows and pivot points.
- When price bounces off one of these levels, pull a Fib over the short-term upswing and consider buying the pair at OTE on the 5 minute chart.
- Risking 10 pips under the low used to pull the Fib on and take profits on 15 - 20 pips and hold for the high of the Fib based swing.
- Use these for the highest probable profit objectives on this type of short-term trade.
- Ideally, the better trades form on swings measuring at least 15% - 20% of the daily range of the trading day.
- Look for a 25 pip swing minimum and that should serve you well.
- Do the opposite for a London Close counter-trend sell trade.
- The market will not always provide a US Dollar Index 5 day ADR to qualify a counter-trend London Close trade. It is not needed unless you are trading the Swiss Franc.
- It would be wise to wait for both the US Dollar Index and Swiss Franc to meet their 5 day ADR prior to counter-trading the Swiss Franc.
- The Japanese Yen typically finds its 5 day ADR earliest and can post a London Close Counter-Trend trade early.
- For this type of trade, keep risk low and target consistency.
- You can build wealth with 15 - 20 pips per week and it is completely reasonable to expect that in results.
- Limit the amount of information and indicators and focus on price action more.
- It is not about how many pips you earn, but how much work your equity does on the back of those pips.
- Think compound interest and not the relatively small pip goals that is this strategy's aim.